

Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City

**IN THE MATTER OF THE
APPLICATION FOR THE
APPROVAL OF THE
FOURTH TARIFF GLIDE
PATH CALCULATION
PURSUANT TO ARTICLE VII
OF THE RSEC-WR AND ERC
RESOLUTION NO. 8,
SERIES OF 2011, WITH
PRAYER FOR
PROVISIONAL AUTHORITY**

ERC CASE NO. 2022-032 RC

**BUKIDNON II ELECTRIC
COOPERATIVE, INC.
(BUSECO),**

Applicant.

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Promulgated:

May 23, 2022

NOTICE OF VIRTUAL HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 02 May 2022, Bukidnon II Electric Cooperative, Inc. (BUSECO) filed an *Application* dated 19 April 2022, seeking the Commission's approval of its fourth Tariff Glide Path (TGP) calculation pursuant to Article VII of the Rules for Setting Electric Cooperatives Wheeling Rates (RSEC-WR) and Commission's Resolution No. 8, Series of 2011,¹ with prayer for provisional authority.

The pertinent allegations of the *Application* are hereunder quoted as follows:

1. Bukidnon II Electric Cooperative, Inc. (BUSECO) is an electric cooperative duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office at Manolo Fortich, Bukidnon where it may be served with notices and other legal processes, represented in this Application by its

¹ Entitled, A Resolution Adopting the Rules Governing the Tariff Glide Path Pursuant to Article VII of the Rules for Setting the Electric Cooperatives' Wheeling Rates.

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Board President DANILO T. PACIENTE and General Manager, CRISTOPHER A. DULFO, authorized by virtue of Board Resolution No. 22-03-14 dated March 25, 2022, copy of which is attached hereto as Annex “A” and made an integral part hereof;

The filing of the instant Application is likewise authorized by virtue of the abovementioned resolution. Moreover, Resolution No. 22-03-15, is hereby attached as Annex “A-1” authorizing BUSECO legal counsel Atty. Eleuterio F. Diao IV to represent BUSECO in the filing of the application, expository presentation, jurisdictional and evidentiary hearing, public consultations and other proceedings relative with the BUSECO application for approval of the Fourth Tariff Glide Path calculation pursuant to Article VII of the RSEC-WR and ERC Resolution No. 8, Series of 2011;

Applicant has the exclusive right and authority to operate an electric light and power services in the City of Malaybalay and the Municipalities of Malitbog, Baungon, Talakag, Cabanglasan, Impasug-ong, Libona, Manolo Fortich, Sumilao, Lantapan and Barangay Lilingayon, part of Valencia City, all in the Province of Bukidnon by virtue of a franchise issued by the National Electrification Administration (NEA) pursuant to Presidential Decree No. 269 as amended by Presidential Decree No. 1645;

2. On September 23, 2009, the Honorable Commission issued and approved Resolution No. 20 Series of 2009, otherwise known as “RULES FOR SETTING THE ELECTRIC COOPERATIVES WHEELING RATES (RSEC-WR), which established a new rate setting methodology for Electric Cooperatives, the issuance of which was made pursuant to its authority as provided under Section 43(f) of Republic Act No. 9136, otherwise known as the “Electric Power Industry Reform Act of 2001” (EPIRA) and Section 5 (a), Rule 15 of its Implementing Rules and Regulations (IRR);
3. Pursuant to the aforementioned ERC Resolution Applicant filed its Application for approval of the Rate adjustment pursuant to the new rate setting methodology as provided under Resolution No. 20 dated September 23, 2009 on November 20, 2009. Accordingly, after the required public hearing, ERC in its Order dated January 11, 2010 granted Applicant the provisional authority and final approval on December 09, 2020 for the following rates:

		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
	Php/kW			190.0300
	Php/kWh	0.5143	0.5134	
Supply Charges:				
	Php/cust/mo		41.6100	41.6100
	Php/kWh	0.5828		
Metering Charges:				
	Php/meter/mo	5.0000	31.1900	31.1900
	Php/kWh	0.3669		

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4. On April 19, 2010, a Petition to Initiate Rule-Making on the Tariff Glide Path Pursuant to Article VII of the Rules for Setting the Electric Cooperatives Wheeling Rates (TGP Rules) was filed and docketed as ERC Case No. 2010-005;
5. After a series of public consultations conducted by the ERC in its offices in Luzon, Visayas and Mindanao, in its Resolution No. 8, dated May 2, 2011, ERC resolved to adopt the “Rules Governing the Tariff Glide Path pursuant to Article VII of the Rules for Setting the Electric cooperatives’ Wheeling Rates;
6. Pursuant to Article VII of the RSEC-WR, the ERC adopts and promulgates the Rules governing the movement of the initial tariff caps during the Regulatory period, which shall be determined by the following formula:

$$\text{Tariff } x [1 + \text{Index "I"} - \text{Efficiency Factor "X"} + \text{Performance Incentive "S"}]$$

The Index, “I” shall be an escalation factor to be used in adjusting the rates to reflect the combined impact of inflation and the load growth. There shall be an efficiency factor “X” to account for the operational efficiency of the ECs in setting their rates. There shall be a performance incentive “S” which shall reward or penalize the EC for the above or below standard performance, respectively.

7. That on July 31, 2013, the Applicant filed the first TGP application;
8. That on April 29, 2016, the Applicant filed the second TGP application;
9. That on April 29, 2019, the Applicant filed the third TGP application;
10. That awaiting for the decision of the Honorable Commission on the Applicant’s previous application for rate adjustment, Applicant opted to use the existing rules in applying for a rate adjustment as provided in Resolution No. 08 s, 2011, entitled “Adopting the Rules Governing the Tariff Glide Path Pursuant to Article VII of the Rules for Setting the Electric Cooperatives’ Wheeling Rates” and used the computed rates in the previous applications as the base rate for this fourth TGP application and proposes the following:

10.a. Index “I” Calculation

10.a.1. CPI Calculation (2018-2021)

Particulars	Average CPI	CPI
YEAR n-1 (2018)	100	
YEAR n (2019)	103	3.28%
YEAR n+1 (2020)	106	2.23%
YEAR n+2 (2021)	110	3.82%

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10.a.2. Growth Rate Calculation (2018-2021)

Particulars	Total KWh Sales	GR
YEAR n-1 (2018)	174,331,706	
YEAR n (2019)	182,536,431	4.71%
YEAR n+1 (2020)	186,654,158	2.26%
YEAR n+2 (2021)	199,818,086	7.05%

10.b. Efficiency Factor “X” Calculation

10.b.1. Calculation of Man-hours (2018-2021)

Particulars	2018	2019	2020	2021
Working Hours- Regular Employees	400,000	403,872	386,009	383,302
Working Hours- Contractual Employees	259,454	296,800	353,972	427,563
Total Working Hours	659,454	700,672	739,981	810,865

10.b.2. FTE/CPE (2018-2021)

Particulars	2018	2019	2020	2021
TOTAL MANHOURS	659,454	700,672	739,981	810,865
Full time equivalent man hours per year	2,080	2,080	2,080	2,080
FTE	317	337	356	390
Total number of billed connections (year-end)	97,715	103,567	109,216	115,095
CPE	308	307	307	295

10.c. Performance Incentive “S” Calculation

10.c.1. SAIDI Calculation (2019-2021)

SAIDI	2019	2020	2021
Sum of customer interruption duration	70,635,177	59,164,359	64,450,738
Average no. of customers served	103,567	109,216	115,095
SAIDI	682.02	541.72	559.98

10.c.2. SAIFI Calculation (2019-2021)

SAIFI	2019	2020	2021
Total no. of customer interruption	838,054	1,012,879	937,633
Average no. of customers served	103,567	109,216	115,095
SAIFI	8.09	9.27	8.15

10.c.3. SL Calculation (2019-2021)

SL	2019	2020	2021
kWh Purchased	202,044,736.87	209,652,034.03	225,780,578.77
kWh Sold	182,536,430.56	186,654,158.17	199,818,085.67
System Loss (in kWh)	19,508,306.31	22,997,875.86	25,962,493.10
System Loss (in %)	9.66%	10.97%	11.50%

Details of the aforementioned calculations are provided and contained in Annex “B” hereof.

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11. As observed, there is a minimal upward adjustment in the Applicant's rates resulting in a 6.70% adjustment including "S" and 0.00 % adjustment excluding "S", as shown hereunder:

	"I"	"X"	"S"	TGP (including "S")	TGP (excluding "S")
YEAR 2019	0.00%	0.00%	2.30%	2.30%	0.00%
YEAR 2020	0.00%	0.00%	2.30%	2.30%	0.00%
YEAR 2021	0.00%	0.00%	2.10%	2.10%	0.00%
TOTAL				6.70%	0.00%

12. Attached herewith in a separate bundle marked as Annex "C" are the following:

- "C-1" Man hours computation (2018-2021)
- "C-2" MFSR (Sections B & E for 2018-2021)
- "C-3" Billing Determinants Template (kWh Sales, No. of Customers, kW Demand for 2018-2021)
- "C-4" Sample Bills (1 per customer type for 2018-2021)
- "C-5" Regional CPI (2018-2021)
- "C-6" RFSC/Reinvestment fund Utilization (2019-2021)
- "C-7" Consumer Complaints (Summary or tracking form) (2019-2021)
- "C-8" Audited Financial Statement (2019-2021)

COMPLIANCE WITH PRE-FILING REQUIREMENTS

In compliance with the Pre-Filing requirements, Applicant furnished copies of this Application together with all its annexes to the legislative bodies within its franchise area as well as the Provincial Board of the Province of Bukidnon, as evidenced by the certifications of the legislative bodies aforementioned herewith attached as Annexes "D" and "E". Likewise, a copy of the Application was published in the Gold Star Daily, a newspaper of general circulation in the franchise area of the Applicant and as evidenced by the Affidavit of Publication executed by the Editor, and original copy of the issue showing the published application, copies of which are attached hereto as Annexes "F" and "G", respectively;

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FOR PROVISIONAL AUTHORITY

13. Applicant reiterates and incorporates the foregoing allegations in its application for the grant of a provisional authority to immediately implement the relief herein prayed for, and further alleges that:
- 13.a. The current rate of Applicant is no longer responsive since the costs of providing electric service to the consumers increased significantly;
 - 13.b. With this unresponsive current rate, an urgent remedy is imperative and should necessarily be implemented;
 - 13.c. Considering the length of time to resolve the instant Application, it being not the only application to be resolved by the Commission, it is only appropriate and reasonable that

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a provisional authority to immediately implement the proposed rate herein prayed for shall be granted;

- 13.d. The provisional authority thus prayed for would bring forth relief on the financial constraints currently suffered by the Applicant, if not remedied, may resort to unreasonable operational decline;

PRAYER

WHEREFORE, foregoing premises considered, it is most respectfully prayed of this Honorable Commission, after due notice and hearing:

1. To approve the proposed Tariff Glide Path Rates calculated as follows:

Type of Consumer	Particulars	Unit	Approved RBEC Rates	1 st TGP including "S"	1 st TGP excluding "S"	2 nd TGP including "S"	2 nd TGP excluding "S"	3 rd TGP including "S"	3 rd TGP excluding "S"	4 th TGP including "S"	4 th TGP excluding "S"
RESIDENTIAL	Distribution	PhP/kWh	0.5143	0.5466	0.5193	0.5766	0.5193	0.6053	0.5193	0.6491	0.5193
	Supply	PhP/kWh	0.5828	0.6194	0.5885	0.6534	0.6885	0.6994	0.5885	0.7356	0.5885
	Metering	PhP/kWh	0.3669	0.3899	0.3705	0.4114	0.3705	0.4340	0.3705	0.4631	0.3705
	Metering	PhP/meter/mo	5.00	5.3137	5.0487	5.8060	5.0487	5.9143	5.0487	6.3106	5.0487
LOW VOLTAGE	Distribution	PhP/kWh	0.5134	0.5458	0.5184	0.5758	0.5184	0.6073	0.5184	0.6478	0.5184
	Supply	PhP/cust/mo	41.91	44.2206	42.0153	46.6528	42.0153	49.2187	42.0153	52.5164	42.0153
	Metering	PhP/meter/mo	31.19	33.1469	31.4938	34.9700	31.4938	36.8933	31.4938	39.3652	31.4938
HIGHER VOLTAGE	Distribution	PhP/kWh	190.03	201.9528	191.8810	213.0800	191.8810	224.7783	191.8810	239.6394	191.8810
	Supply	PhP/cust/mo	41.61	44.2206	42.0153	46.6528	42.0153	49.2187	42.0153	52.5164	42.0153
	Metering	PhP/meter/mo	31.19	33.1469	31.4938	34.9700	31.4938	36.8933	31.4938	39.3652	31.4938

2. To issue an Order granting Applicant a provisional authority to implement the proposed tariff glide path rates herein prayed for pending hearing and final evaluation of the application by the Honorable Commission.

The Commission has set the *Application* for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on the following dates and online platform for the conduct thereof, pursuant to Resolution No. 09, Series of 2020² dated 24 September 2020 and Resolution No. 01, Series of 2021, dated 17 December 2020 (ERC Revised Rules of Practice and Procedure):³

² Entitled: A Resolution Adopting the Guidelines Governing Electronic Applications, Filings and Virtual Hearings Before the Energy Regulatory Commission.

³ Entitled: A Resolution Adopting the Revised Rules of Practice and Procedure of the Energy Regulatory Commission.

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Date and Time	Platform	Activity
01 July 2022 (Friday) at nine o'clock in the morning (9:00 A.M.)	Microsoft Teams	Determination of compliance with jurisdictional requirements and Expository presentation
08 July 2022 (Friday) at nine o'clock in the morning (9:00 A.M.)	Microsoft Teams	Pre-trial Conference and presentation of evidence

Accordingly, BUSECO is hereby directed to host the virtual hearings at **BUSECO's Principal Office in Manolo Fortich, Bukidnon**, as the designated venue for the conduct thereof, and ensure that the same is open to the public and the community quarantine guidelines are observed at all times. Moreover, BUSECO shall guarantee that, during the conduct of the expository presentation, the participation of the public shall not be impaired.

Any interested stakeholder may submit its comments and/or clarifications at least one (1) calendar day prior to the scheduled virtual hearing, via electronic mail (e-mail) at doCKET@erc.ph, copy furnish the Legal Service through legal@erc.ph. The Commission shall give priority to the stakeholders who have duly submitted their respective comments and/or clarifications, to discuss the same and propound questions during the course of the expository presentation.

Moreover, all persons who have an interest in the subject matter of the instant case may become a party by filing with the Commission via e-mail at doCKET@erc.ph, copy furnish the Legal Service through legal@erc.ph, a verified Petition to Intervene at least five (5) calendar days prior to the date of the initial virtual hearing and subject to the requirements under Rule 9 of the ERC Revised Rules of Practice and Procedure, indicating therein the docket number and title of the case and stating the following:

- 1) The petitioner's name, mailing address and e-mail address;
- 2) The nature of petitioner's interest in the subject matter of the proceeding and the way and manner in which such

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interest is affected by the issues involved in the proceeding;
and

- 3) A statement of the relief desired.

Likewise, all other persons who may want their views known to the Commission with respect to the subject matter of the case may likewise file through e-mail at docket@erc.ph, copy furnish the Legal Service through legal@erc.ph, their Opposition or Comment thereon at least five (5) calendar days prior to the initial virtual hearing and subject to the requirements under Rule 9 of the ERC Revised Rules of Practice and Procedure. No particular form of Opposition or Comment is required, but the document, letter, or writing should contain the following:

- 1) The name, mailing address and e-mail address of such person;
- 2) A concise statement of the Opposition or Comment; and
- 3) The grounds relied upon.

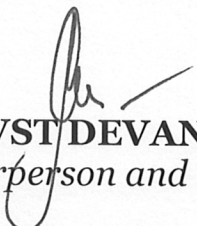
Any of the persons mentioned in the preceding paragraphs may access the copy of the *Application* on the Commission's official website at www.erc.gov.ph.

Finally, all interested persons may be allowed to join the scheduled initial virtual hearing by providing the Commission, thru legal.virtualhearings@erc.ph, with their respective e-mail addresses and indicating therein the case number of the instant *Joint Application*. The Commission will send the access link/s to the aforementioned hearing platform within five (5) working days prior to the scheduled hearing.

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WITNESS, the Honorable Commissioners **ALEXIS M. LUMBATAN**, **CATHERINE P. MACEDA**, **FLORESINDA G. BALDO-DIGAL** and **MARKO ROMEO L. FUENTES**, Energy Regulatory Commission, this 16th of May 2022 in Pasig City.


AGNES VST DEVANADERA
Chairperson and CEO

JTB LSP 7
LS: JTB / LSP / MCCG

